

97-84049-24

U.S. Congress.

Joint Commission...

Economic relationship of
agriculture, industry...

[Washington? D.C.]

[1923]

97-84049-24

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Economic relationship of agriculture, industry and transportation; excerpts from "Transportation", report of the Joint commission of agricultural inquiry, United States Congress. May 1, 1923. Prepared by American railway association, Washington, D. C. [Washington? D. C., 1923]

cover-title, 4 p. 21 x 11½ cm.

1. Railroads [and agriculture]; 2. Railroads [and economic development]; I. American railway association. II. Title.

A 23-991

ONLY ED

Title from Bureau of

Railway Economics. Printed by L. C.

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TECHNICAL MICROFORM DATA

FILM SIZE: 35 mm

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Economic Relationship of Agriculture, Industry and Transportation

Excerpts from
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Report of the Joint Commission of
Agricultural Inquiry, United
States Congress



MAY 1, 1923



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The Joint Commission of Agricultural Inquiry was created by Senate concurrent resolution 4 and directed to investigate and report to the Congress upon the following subjects:

1. The causes of the present condition of agriculture.
2. The cause of the difference between the prices of agricultural products paid to the producer and the ultimate cost to the consumer.
3. The comparative condition of industries other than agriculture.
4. The relation of prices of commodities other than agricultural products to such products.
5. The banking and financial resources and credits of the country, especially as affecting agricultural credits.
6. The marketing and transportation facilities of the country.

The resolution was passed by the Senate May 31, 1921, and by the House June 7, 1921, and as adopted required this Commission to report within 90 days after the passage of the resolution. This period, however, was subsequently extended to the first Monday in January, 1922, and thereafter to April 15, 1922. * * *

The present part of the report deals primarily with the subject of transportation.

Economic Relationship of Agriculture, Industry and Transportation.

The Joint Commission of Agricultural Inquiry organized a transportation division on August 1, 1921. This division immediately sought the cooperation of qualified representatives of agriculture, industry and transportation; it organized 115 general committees which in turn appointed 200 sub-committees to furnish statistical data on agriculture and industry; it formed an executive committee on transportation which in turn appointed sub-committees throughout the country. "The collection and assembling of the data in this report represent the combined efforts of over 1,600 people and the circulation of more than 250,000 questionnaires."

As a result of its extensive study the Commission commends in this manner upon the primary mutual interests of agriculture and railroads:

"As a rule the farms of the United States which produce the food of the people and yield farm products for export are located at a distance from the populous districts where the demand centers. Transportation is, therefore, of vital importance to the farmer, for without it his products can not be placed upon the market. A proper basis of transportation charges and an adequate transportation service, allowing the producer to market his products at a remunerative price, will enable the consumer to square his cost of living with his standard of living. Both the farmer and the transportation interests must cooperate so that this consuming demand can be met." P. 9.

The Commission studied the relationship of freight charges to farm prices from 1909 to 1921, inclusive. As a result of this study, it says:

"From 1910 to 1916 the two lines, one line representing farm prices, the other freight rates, moved side by side in very close relationship to each other. Then began a tremendous increase in the price of farm products, until in June, 1920, it reached the maximum of 246. Railroad freight rates from 1916 to 1917 show practically no increase. From 1917 to 1920 they increased more slowly than did the price of farm products." P. 10.

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goods transported on the basis of census figures of 1914, and by the method described as follows:

"The total production of agricultural, manufactured, and mineral products is added to the imports, from which is made an estimated deduction of these same articles which do not move by railroad transportation. The estimated total value of \$33,298,000,000 divided by the total tonnage of railroads, 1,094,000,000, gives an average value of \$30.50 per ton. The average revenue per ton for the same period was \$1.84; the proportion of freight to the value of goods transported as estimated is about 6.05 per cent." P. 11.

It was observed by the Commission that certain sections of the country were best adapted for the production of certain commodities. Often these sections are far removed from market centers, as in the case of fruits and vegetables. This fact leads the Commission to conclude as follows:

"The concentration of production in limited areas, often-times many hundreds and even thousands of miles from primary markets, emphasizes the importance of transportation." P. 23.

As a new generation rises, it is inclined to accept the marvelous development of this country as a commonplace fact without giving due regard to the most important factors that made such development possible. In its report the Commission takes occasion to record certain salient historic facts, especially in regard to the importance of transportation:

"The rapid growth in the settlement and increase in population was only made possible by the rapid extension of the railroads." P. 213.

"In 1851 the tonnage transported by the railroads in the United States was about 5,000,000 tons. In 1870 this had risen to 72,500,000 tons, and for the year 1920 it was 1,256,379,734 tons." P. 215.

"It will be readily appreciated that no such growth could have been possible without proper instrumentalities of transportation such as has been furnished by the progressive steam railroads in the United States." P. 216.

"The influence of the railroads on the growing wealth of the country has been no less marked. Prior to 1860 a vast agricultural territory in the West, then unsettled, was for sale at \$1.25 per acre, and found no buyers. The hardships to be met, the inability to transport surplus products from the farms at remunerative prices held no inducement for the settler, but with the advent of the railroads, or even the immediate prospect of railroads, lands which could not be sold at \$1.25 per acre were rap-

idly purchased at \$2.50 per acre and the values rose from that time forward as the railroads progressed to relatively enormous values." P. 216.

As the productive area increased it became necessary for the railroads to carry freight a greater and greater distance. Some idea of what this has meant to the carriers may be had from the following comment by the Commission in its report:

"No reliable records are available as to the average haul in the early period of our railroad building, but it was necessarily short on the very large bulk of the commodities transported. As indicating the growth in this direction, the statistics for 1900 show an average haul for freight of 238 miles, and this had grown to an average haul of 326.2 miles in the year 1921. This clearly demonstrates the ever-widening range of distribution, which is brought about by the greater interchange of commodities and the demands of the people for products from far distant points." P. 219.

This "ever-widening range of distribution" and this "greater interchange of commodities" from far distant points have made an ever-increasing demand upon railroad facilities. As to the manner in which the carriers have met and will meet this increasing demand the Commission says:

"Notwithstanding this ever-increasing demand, railroads have until in the past few years measurably kept pace with it and with the general growth, and have anticipated the growth of the country; in many instances opened new territory for settlement which did not give immediate promise of returns and reward. At the present time many sections of our country are not adequately supplied with rail transportation facilities. There are still vast areas which will, with the continuing growth of the population, require added facilities for transportation, but with reasonable promise of remuneration the roads may be relied upon to furnish such facilities as rapidly as they may be needed." P. 219.

"The railroads, aside from the carrying of this enormous tonnage of commodities in the interchange of the products of agriculture and manufacture, also facilitate business and social intercourse and travel for pleasure of the people of the United States by furnishing facilities for rapid and comfortable travel." P. 219.

The Commission collected figures for measuring the increased efficiency of the railroads since 1890. The basis used by the commission is the revenue ton miles and the revenue passenger miles for each \$100 property investment.

"These statistics show that for every \$100 investment in property reported by the railroads the performance in 1890 was 983 tons of freight carried 1 mile, and also 153 passengers carried 1 mile. The railroads carried for every \$100 of property investment in 1920, 2,063 tons of freight 1 mile and 231 passengers 1 mile, an increase of 110 per cent in freight and 50 per cent in passenger traffic." P. 226.

"This is a measure of the efficiency of the railroads in the aggregate. The increase in the service rendered and the corresponding increase in efficiency is clearly marked. For the most part this increase is due to a vast improvement in operating methods made possible not alone by new mechanical devices but by a better knowledge and capacity for intense application upon the part of the railroad managers and the employees." P. 226.

Confidence in the ability of the management of railroads to meet their responsibilities with the cooperation of shippers and the public is thus expressed by the Commission:

"We have every reason to believe that the managers of the steam railroads will continue to adopt improved devices and methods, and thereby increase efficiency of operation; that the officers and employees will by study and application fit themselves better to perform their important duties, so vital to the public welfare; that the shipping public will cooperate with the carriers, and, meeting their representatives upon common ground of mutual understanding, minimize the occasion for governmental intervention." P. 306.

The Commission has reached certain important conclusions in its summary of the relation of the railroads to agriculture, industry and trade. It says:

"We are endeavoring to present a picture here not of the amounts finally received by the railroad corporations but of the operating conditions which have been met during the past several years, and while it is confidently hoped that such conditions will not again obtain, we must base our calculations for the future upon the facts presented herein. The transportation facilities of the country must be placed upon a solid foundation. It will not do to make up deficits by appropriations of public funds. The railroad companies must be operated with the expectation that the gross revenues will be sufficient to cover operating expenses and leave a reasonable return upon the investment. It is of paramount importance to the public welfare that the transportation companies be made going concerns; that they be placed upon a substantial foundation in every respect; and that the operating expenses be reduced by careful and efficient management." P. 306.

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